



4000-01-U

DEPARTMENT OF EDUCATION

**Federal Need Analysis Methodology for the 2019-20 Award
Year--Federal Pell Grant, Federal Work-Study, Federal
Supplemental Educational Opportunity Grant, William D. Ford
Federal Direct Loan, Iraq and Afghanistan Service Grant, and
TEACH Grant Programs**

AGENCY: Federal Student Aid, Department of Education.

ACTION: Notice.

SUMMARY: The Secretary announces the annual updates to the tables used in the statutory Federal Need Analysis Methodology that determines a student's expected family contribution (EFC) for award year (AY) 2019-20 for student financial aid programs, Catalog of Federal Domestic Assistance (CFDA) Numbers 84.063, 84.033, 84.007, 84.268, 84.408, and 84.379. The intent of this notice is to alert the financial aid community and the broader public to these required annual updates used in the determination of student aid eligibility.

FOR FURTHER INFORMATION CONTACT: Marya Dennis, U.S. Department of Education, room 63G2, Union Center Plaza, 830 First Street, NE., Washington, DC 20202-5454. Telephone: (202) 377-3385.

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Service (FRS), toll free, at 1-800-877-8339.

SUPPLEMENTARY INFORMATION:

Part F of title IV of the Higher Education Act of 1965, as amended (HEA), specifies the criteria, data elements, calculations, and tables the Department of Education (Department) uses in the Federal Need Analysis Methodology to determine the EFC.

Section 478 of the HEA requires the Secretary to annually update the following four tables for price inflation--the Income Protection Allowance (IPA), the Adjusted Net Worth (NW) of a Business or Farm, the Education Savings and Asset Protection Allowance, and the Assessment Schedules and Rates. The updates are based, in general, upon increases in the Consumer Price Index (CPI).

For AY 2019-20, the Secretary is charged with updating the IPA for parents of dependent students, adjusted NW of a business or farm, the education savings and asset protection allowance, and the assessment schedules and rates to account for inflation that took place between December 2017 and December 2018. However, because the Secretary must publish these tables before December 2018, the increases in the tables must be based on a percentage equal to the estimated percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) for 2018. The Secretary must also account for any under- or over-estimation of inflation for

the preceding year.

In developing the table values for the 2018-19 AY, the Secretary assumed a 2.3 percent increase in the CPI-U for the period December 2016 through December 2017. The actual inflation for this time period was 2.1 percent. The Secretary estimates that the increase in the CPI-U for the period December 2017 through December 2018 will be 1.6 percent.

Additionally, section 601 of the College Cost Reduction and Access Act of 2007 (CCRAA, Pub. L. 110-84) amended sections 475 through 478 of the HEA affecting the IPA tables for the 2009-10 through 2012-13 AYs and required the Department to use a percentage of the estimated CPI to update the table in subsequent years. These changes to the IPA impact dependent students, as well as independent students with dependents other than a spouse and independent students without dependents other than a spouse. This notice includes the new 2019-20 AY values for the IPA tables, which reflect the CCRAA amendments. The updated tables are in sections 1 (Income Protection Allowance), 2 (Adjusted Net Worth of a Business or Farm), and 4 (Assessment Schedules and Rates) of this notice.

As provided for in section 478(d) of the HEA, the Secretary must also revise the education savings and asset protection allowances for each AY. The Education Savings

and Asset Protection Allowance table for AY 2019-20 has been updated in section 3 of this notice.

Section 478(h) of the HEA also requires the Secretary to increase the amount specified for the employment expense allowance, adjusted for inflation. This calculation is based on increases in the Bureau of Labor Statistics' marginal costs budget for a two-worker family compared to a one-worker family. The items covered by this calculation are: food away from home, apparel, transportation, and household furnishings and operations. The Employment Expense Allowance table for AY 2019-20 has been updated in section 5 of this notice.

The HEA requires the following annual updates:

1. Income Protection Allowance. This allowance is the amount of living expenses associated with the maintenance of an individual or family that may be offset against the family's income. The allowance varies by family size. The IPA for dependent students is \$6,660. The IPAs for parents of dependent students for AY 2019-20 are as follows:

Family Size	Parents of Dependent Students Number in College				
	1	2	3	4	5
2	\$18,580	\$15,400			
3	\$23,140	\$19,980	\$16,800		
4	\$28,580	\$25,400	\$22,240	\$19,060	
5	\$33,720	\$30,540	\$27,380	\$24,200	\$21,040
6	\$39,430	\$36,260	\$33,100	\$29,920	\$26,760

For each additional family member add \$4,450. For each

additional college student subtract \$3,160.

The IPAs for independent students with dependents other than a spouse for AY 2019-20 are as follows:

Independent Students With Dependents Other Than a Spouse					
Family Size	Number in College				
	1	2	3	4	5
2	\$26,250	\$21,760			
3	\$32,680	\$28,210	\$23,730		
4	\$40,360	\$35,880	\$31,410	\$26,920	
5	\$47,620	\$43,120	\$38,660	\$34,180	\$29,710
6	\$55,690	\$51,210	\$46,750	\$42,240	\$37,790

For each additional family member add \$6,290. For each additional college student subtract \$4,470.

The IPAs for single independent students and independent students without dependents other than a spouse for AY 2019-20 are as follows:

Marital Status	Number in College	IPA
Single	1	\$10,360
Married	2	\$10,360
Married	1	\$16,620

2. Adjusted Net Worth of a Business or Farm. A portion of the full NW (assets less debts) of a business or farm is excluded from the calculation of an EFC because (1) the income produced from these assets is already assessed in another part of the formula; and (2) the formula protects a portion of the value of the assets.

The portion of these assets included in the contribution calculation is computed according to the

following schedule. This schedule is used for parents of dependent students, independent students without dependents other than a spouse, and independent students with dependents other than a spouse.

If the NW of a Business or Farm is	Then the Adjusted NW is
Less than \$1	\$0
\$1 to \$130,000	\$0 + 40% of NW
\$130,001 to \$395,000	\$52,000 + 50% of NW over \$130,000
\$395,001 to \$660,000	\$184,500 + 60% of NW over \$395,000
\$660,001 or more	\$343,500 + 100% of NW over \$660,000

3. Education Savings and Asset Protection Allowance.

This allowance protects a portion of NW (assets less debts) from being considered available for postsecondary educational expenses. There are three asset protection allowance tables: one for parents of dependent students, one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse.

Parents of Dependent Students		
If the age of the older parent is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	700	300
27	1,300	700
28	2,000	1,000
29	2,600	1,400
30	3,300	1,700
31	4,000	2,100
32	4,600	2,400
33	5,300	2,800

34	5,900	3,100
35	6,600	3,500
36	7,300	3,800
37	7,900	4,200
38	8,600	4,500
39	9,200	4,900
40	9,900	5,200
41	10,100	5,300
42	10,400	5,500
43	10,600	5,600
44	10,900	5,700
45	11,100	5,800
46	11,400	6,000
47	11,600	6,100
48	11,900	6,200
49	12,200	6,400
50	12,500	6,500
51	12,900	6,700
52	13,200	6,800
53	13,500	7,000
54	13,900	7,200
55	14,300	7,300
56	14,700	7,500
57	15,100	7,700
58	15,500	7,900
59	15,900	8,100
60	16,400	8,300
61	16,800	8,500
62	17,300	8,800
63	17,800	9,000
64	18,300	9,200
65 or older	18,900	9,500

Independent Students With Dependents Other Than a Spouse		
If the age of the student is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	700	300
27	1,300	700
28	2,000	1,000
29	2,600	1,400
30	3,300	1,700

31	4,000	2,100
32	4,600	2,400
33	5,300	2,800
34	5,900	3,100
35	6,600	3,500
36	7,300	3,800
37	7,900	4,200
38	8,600	4,500
39	9,200	4,900
40	9,900	5,200
41	10,100	5,300
42	10,400	5,500
43	10,600	5,600
44	10,900	5,700
45	11,100	5,800
46	11,400	6,000
47	11,600	6,100
48	11,900	6,200
49	12,200	6,400
50	12,500	6,500
51	12,900	6,700
52	13,200	6,800
53	13,500	7,000
54	13,900	7,200
55	14,300	7,300
56	14,700	7,500
57	15,100	7,700
58	15,500	7,900
59	15,900	8,100
60	16,400	8,300
61	16,800	8,500
62	17,300	8,800
63	17,800	9,000
64	18,300	9,200
65 or older	18,900	9,500

Independent Students Without Dependents Other Than a Spouse		
If the age of the student is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	700	300
27	1,300	700

28	2,000	1,000
29	2,600	1,400
30	3,300	1,700
31	4,000	2,100
32	4,600	2,400
33	5,300	2,800
34	5,900	3,100
35	6,600	3,500
36	7,300	3,800
37	7,900	4,200
38	8,600	4,500
39	9,200	4,900
40	9,900	5,200
41	10,100	5,300
42	10,400	5,500
43	10,600	5,600
44	10,900	5,700
45	11,100	5,800
46	11,400	6,000
47	11,600	6,100
48	11,900	6,200
49	12,200	6,400
50	12,500	6,500
51	12,900	6,700
52	13,200	6,800
53	13,500	7,000
54	13,900	7,200
55	14,300	7,300
56	14,700	7,500
57	15,100	7,700
58	15,500	7,900
59	15,900	8,100
60	16,400	8,300
61	16,800	8,500
62	17,300	8,800
63	17,800	9,000
64	18,300	9,200
65 or older	18,900	9,500

4. Assessment Schedules and Rates. Two schedules that are subject to updates--one for parents of dependent students and one for independent students with dependents other than a spouse--are used to determine the EFC from

family financial resources toward educational expenses. For dependent students, the EFC is derived from an assessment of the parents' adjusted available income (AAI). For independent students with dependents other than a spouse, the EFC is derived from an assessment of the family's AAI. The AAI represents a measure of a family's financial strength, which considers both income and assets.

The parents' contribution for a dependent student is computed according to the following schedule:

If AAI is	Then the Contribution is
Less than -\$3,409	-\$750
(\$3,409) to \$16,600	22% of AAI
\$16,601 to \$20,800	\$3,652 + 25% of AAI over \$16,600
\$20,801 to \$25,100	\$4,702 + 29% of AAI over \$20,800
\$25,101 to \$29,300	\$5,949 + 34% of AAI over \$25,100
\$29,301 to \$33,600	\$7,377 + 40% of AAI over \$29,300
\$33,601 or more	\$9,097 + 47% of AAI over \$33,600

The contribution for an independent student with dependents other than a spouse is computed according to the following schedule:

If AAI is	Then the Contribution is
Less than -\$3,409	-\$750
(\$3,409) to \$16,600	22% of AAI
\$16,601 to \$20,800	\$3,652 + 25% of AAI over \$16,600
\$20,801 to \$25,100	\$4,702 + 29% of AAI over \$20,800
\$25,101 to \$29,300	\$5,949 + 34% of AAI over \$25,100
\$29,301 to \$33,600	\$7,377 + 40% of AAI over \$29,300
\$33,601 or more	\$9,097 + 47% of AAI over \$33,600

5. Employment Expense Allowance. This allowance for employment-related expenses--which is used for the parents of dependent students and for married independent students--

recognizes additional expenses incurred by working spouses and single-parent households. The allowance is based on the marginal differences in costs for a two-worker family compared to a one-worker family. The items covered by these additional expenses are: food away from home, apparel, transportation, and household furnishings and operations.

The employment expense allowance for parents of dependent students, married independent students without dependents other than a spouse, and independent students with dependents other than a spouse is the lesser of \$4,000 or 35 percent of earned income.

6. Allowance for State and Other Taxes. The allowance for State and other taxes protects a portion of parents' and students' incomes from being considered available for postsecondary educational expenses. There are four categories for State and other taxes, one each for parents of dependent students, independent students with dependents other than a spouse, dependent students, and independent students without dependents other than a spouse. Section 478(g) of the HEA directs the Secretary to update the tables for State and other taxes after reviewing the Statistics of Income file data maintained by the Internal Revenue Service.

Percent of income paid in State taxes, by status of having dependents other than a spouse, income level, and State			
	Parents of dependents and independents with dependents other than a spouse		Dependents and independents without dependents other than a spouse
State	Percent of Total Income		All
	Under \$15,000	\$15,000 & Up	
Alabama	3%	2%	2%
Alaska	2%	1%	0%
Arizona	4%	3%	2%
Arkansas	4%	3%	3%
California	8%	7%	6%
Colorado	4%	3%	3%
Connecticut	9%	8%	5%
Delaware	5%	4%	3%
District of Columbia	7%	6%	6%
Florida	3%	2%	1%
Georgia	5%	4%	3%
Hawaii	5%	4%	4%
Idaho	5%	4%	3%
Illinois	5%	4%	3%
Indiana	4%	3%	3%
Iowa	5%	4%	3%
Kansas	4%	3%	2%
Kentucky	5%	4%	4%
Louisiana	3%	2%	2%
Maine	6%	5%	3%
Maryland	8%	7%	6%
Massachusetts	7%	6%	4%
Michigan	4%	3%	3%
Minnesota	6%	5%	5%
Mississippi	3%	2%	2%
Missouri	4%	3%	3%
Montana	5%	4%	3%
Nebraska	5%	4%	3%
Nevada	2%	1%	1%
New Hampshire	4%	3%	1%
New Jersey	9%	8%	5%
New Mexico	3%	2%	2%
New York	9%	8%	7%

North Carolina	5%	4%	3%
North Dakota	2%	1%	1%
Ohio	5%	4%	3%
Oklahoma	3%	2%	2%
Oregon	7%	6%	5%
Pennsylvania	5%	4%	3%
Rhode Island	6%	5%	4%
South Carolina	4%	3%	3%
South Dakota	2%	1%	1%
Tennessee	2%	1%	1%
Texas	3%	2%	1%
Utah	5%	4%	3%
Vermont	6%	5%	3%
Virginia	6%	5%	4%
Washington	3%	2%	1%
West Virginia	3%	2%	3%
Wisconsin	6%	5%	4%
Wyoming	2%	1%	1%
Other	3%	2%	2%

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Dated: May 14, 2018.

James F. Manning,

Acting Chief Operating Officer,

Federal Student Aid.

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